

STATE OF SOUTH CAROLINA
OFFICE OF THE ATTORNEY GENERAL
SECURITIES DIVISION

| | | |
|--------------------|---|---------------------------|
| IN THE MATTER OF: |) | ADMINISTRATIVE PROCEEDING |
| |) | |
| Edward H. Johnson, |) | FILE NUMBER 05030 |
| |) | ADMINISTRATIVE COMPLAINT |
| |) | |
| <u>Respondent.</u> |) | |

**NOTICE: RESPONDENT HAS 30 DAYS TO REQUEST A HEARING.
 RESPONDENT HAS 30 DAYS TO FILE AN ANSWER.**

The Securities Division of the South Carolina Office of the Attorney General (the "Division") alleges that Respondent Edward H. Johnson, has engaged in acts, practices, and transactions, which constitute violations of the South Carolina Uniform Securities Act, S.C. Code Ann. § 35-1-10 *et seq.* (Supp. 2004) (the "Act") as set forth herein.

I. Jurisdiction

1. The Securities Commissioner of the State of South Carolina (the "Commissioner") has jurisdiction over this matter pursuant to Section 35-1-180 of the Act.

II. Respondent

2. Respondent Edward H. Johnson ("Johnson" or "Respondent") was at all times material herein engaged in selling and offering for sale investments to South Carolina residents.

3. Johnson entered the securities industry in January, 1987, as an employee of Kavanaugh Securities, Inc.

4. Johnson first became registered to offer or sell securities in the State of South Carolina on January 22, 1987, and he continued to be registered with the Division as an agent of various firms until October 29, 2004.

5. During the period January 30, 2002, until March 10, 2003, Johnson was a Registered Representative of Packerland Brokerage Services, Inc. ("Packerland").

III. Factual Allegations

6. From on or around April 8, 2002, until on or around December 9, 2002, Johnson participated in the sale of high-interest, unregistered bonds issued by DBSI Guaranteed Capital Corporation. Johnson, who received a financial benefit from the sale of the bonds, did not give written notice to Packerland of his participation in the sales, nor did he receive written approval from Packerland to participate in their sale.

7. On or around June 3, 2002, Johnson sold to Mr. Leon Johnson, a South Carolina resident, a \$10,000 securitized bond of DBSI Guaranteed Capital Corporation. At the time of the sale, Johnson represented to the investor that he was a Registered Representative of Life of South Carolina Securities Company.

8. On or around August 6, 2002, Johnson sold Ms. Betty Sue Gandy, a South Carolina resident, a \$10,000 securitized bond of DBSI Guaranteed Capital Corporation. At the time of the sale, Johnson represented to the investor that he was a Registered Representative of Life of South Carolina Securities Company.

9. On or around August 29, 2002, Johnson sold to Ms. Mary S. McDaniel and Mr. G. Scott McDaniel, two South Carolina residents, a \$10,000 securitized bond of DBSI Guaranteed Capital Corporation. At the time of the sale, Johnson represented to the investors that he was a Registered Representative of Life of South Carolina Securities Company.

10. The Life of South Carolina Securities Company is not currently and during the time period of the transactions complained of herein, was not ever registered pursuant to the Act as a broker dealer in the State of South Carolina.

11. Respondent is not currently and during the time period of the transactions complained of herein, was not ever registered or licensed to act as a broker dealer agent of Life of South Carolina Securities Company.

**IV. Violation of S.C. Code Ann. § 35-1-1210
(Securities Fraud)**

12. When Respondent represented to investors that he was a Registered Representative of Life of South Carolina Securities Company, he violated Section 35-1-1210 of the Act and committed fraud upon the investors.

IV. Requested Relief

13. The Division requests that the Commissioner grant the following relief against Johnson:

- a. Pursuant to Section 35-1-60 of the Act, order Johnson to permanently cease and desist from violating the Act;
- b. Pursuant to Section 35-1-60 of the Act, permanently bar Johnson from conducting securities business in the State of South Carolina;
- c. Pursuant to Section 35-1-1475 of the Act, order Johnson to pay an administrative fine in an amount not exceeding five thousand and no/100 (\$5,000.00) dollars for each violation of the Act and each violation of any rule or order promulgated by the Commissioner; and
- d. Order any other relief that the Commissioner deems appropriate.

V. Requirement of Answer and Notice of Opportunity for Hearing

Respondent Johnson is hereby notified that he has the right to a hearing on the matters contained herein. To schedule such a hearing, Respondent Johnson must file with the Office of the Securities Commissioner, Post Office Box 11549, Rembert C. Dennis Building, Columbia, South Carolina 29211-1549, attention: Thresechia Navarro, within thirty (30) days of receipt of this Complaint a written Answer specifically requesting a hearing therein.

The Answer shall admit or deny each factual allegation in the Complaint, shall set forth the specific facts on which Respondent Johnson relies, and shall set forth concisely the matters of law and affirmative defenses upon which Respondent Johnson relies. If Respondent Johnson is without knowledge or information sufficient to form a belief as to the truth of an allegation, he shall so state.

Failure by the Respondent Johnson to file a written request for a hearing in this matter shall be deemed a waiver of the right to such a hearing. If a request for a hearing is not timely made, the Commissioner may, without a hearing, enter an Order against Respondent Johnson granting the relief requested by the Division in this Complaint.

SOUTH CAROLINA OFFICE OF THE
ATTORNEY GENERAL

December 14, 2006

By: Tracy Meyers
Tracy A. Meyers
Assistant Attorney General
Securities Division
Post Office Box 11549
Columbia, South Carolina 29211
(803) 734-4731